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SECURITY INFORMATION

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CENTRAL INTELLIGENCE AGENCY  
INFORMATION REPORT

REPORT NO.

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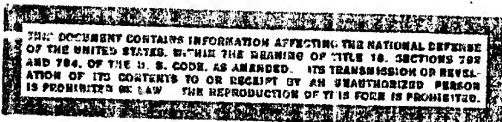
COUNTRY East Germany/West Germany/USSR/Western Nations

DATE DISTR. 14 April 1953

SUBJECT Russian Procurement of U.S. Dollars

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THIS IS UNEVALUATED INFORMATION

1. Russia has little trouble in procuring U.S. dollars. Wares of the best quality and in the most demand are taken from East Germany and sold to a third country. The products usually sold are ammonium sulphate, sulfur and color film. The Russians are not usually interested in making any money on such transactions; the main object is payment in U.S. dollars. Often the Western firms involved in such deals do not know that they are being used by the USSR.
2. The following is an example of how U.S. dollars are procured: A Western firm is contacted concerning, for example, the purchase of steel pipe. These pipes can only be procured from a third country, and the production of the pipe would take some time. The Eastern partner in the transaction agrees to deliver East German wares immediately. A contract is then drawn up which contains an extremely short delivery deadline for the steel pipe. If the Western firm raises any objections about the deadline, the Eastern partner points out that the firm has the advantage of immediate delivery of the East German products and that the delivery deadline for the pipe must be short if East German government offices are to approve the contract and order immediate delivery of the East German goods. After the Western firm has agreed, the Eastern representative announces that his government has approved the contract, but that the East German goods must be paid for in dollars if the Western firm is not able to fulfill the steel pipe deliveries on schedule. The Western firm usually agrees, since it will have to open a letter of credit for the East German goods, usually at a Swiss bank, anyway.
3. The Western firm is usually interested only in the transaction, and it deals with East Germany mainly because the products it has to sell bring a higher price there; moreover, the Western firm can obtain goods from the barter transaction which will sell at a high profit in the West. Even if the Western firm cannot deliver its products on time, it still works at a profit, since the products ordered for the East German partner can still be sold to some other country.

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4. It is probable that much larger amounts of U.S. dollars were procured in this fashion in 1952 than before, since the materials needed urgently by East Germany cannot be bought for DMW, only for U.S. dollars or Swiss francs. Illegal Western traders not only demand hard currency; they require that East Germany pay transportation costs. Also, everyone who knows of the transaction must be paid off. As a result, products procured illegally often cost 40 to 80 percent more than the normal price.

5. The following firms have been used to procure hard currency:

- a) the main administrations of the SAG's (though seldom)
- b) Meletax, Rosenthalerstrasse (Berlin); director is (fnu) Hechler
- c) the Deutsche Warenvertriebsgesellschaft (DWV) and/or Deag, Friedrichstrasse, Berlin; the director is (fnu) Richter
- d) direct from the SAG Main Administration in Berlin-Weissensee, usually with the cooperation of (fnu) Kirvis, the head of the marketing office (Absatzkontor)

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6. Besides the main offices mentioned above, there are from 15 to 20 small branch firms (Absweigungen) in the Berlin area, all of which claim to be independent but each of which is responsible to the DWV and its chief Richter. Richter reports frequently to the SCC in Karlshorst for instructions; he is in a powerful position and often takes liberties with the means placed at his disposal, such as using funds or goods destined for the purchase of one product to buy a completely different item.

7. Aside from the example given here, East Germany naturally sells materials directly to Western merchants for U.S. dollars. The Mercanta firm in Brussels and the Stern company in London are used as middlemen. Actually, both firms are one, and they may have undergone a change of name by now, a thing not uncommon with firms interested in such transactions, especially when Western authorities become aware of their activities and take measures against them.

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